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Kathleen B. Levitz  
Common Carrier Bureau  
Room 500  
Federal Communication Commission

Re: Docket 92-266 Ex Parte

Dear Ms. Levitz:

On behalf of Continental Cablevision, Inc., I am forwarding a brief writeup of the methodology described in Exhibit D to Continental's Comments in this proceeding.

Sincerely,



Paul Glist

Enclosure

cc: Donna Searcy (two copies)

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An appropriate methodology for calculating the actual costs of equipment is one that can be demonstrated to identify costs associated with the particular functions of different types of converter boxes and other equipment. The cost of equipment, outlets, and remotes should recover those equipment, installation and system-related costs that can be directly attributed to the devices in question, plus reasonable overhead. The cost may include repair and maintenance expenses as well as incidental expenses that the system operator can show are related to the provision of the equipment in question, such as maintaining supplies in inventory, replacing theft losses, field service costs that are not capitalized, taxes and uncollectibles. Installation costs directly attributable to the equipment in question, including labor costs, may be recovered from the equipment price levels; however, any equipment cost methodology must assure that the cable subscriber is given a full credit for any installation charges associated with converters, additional outlets and other equipment. Depreciation should be limited to the normal trend in equipment capital recovery rates based upon the cable operator's history of depreciation charges. Rates of return on equipment capital should be set at levels no higher than average returns realized by firms in the S&P 400. These cost guidelines, when used in conjunction with rate benchmarks which also include equipment, will protect cable subscribers and satisfy the Act's "actual cost" standard.